

June 2, 2003

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W
Room TWB-204
Washington, D.C. 20554

Dear Ms. Dortch:

Re: Ex Parte:

In re: Application of GTE Corporation and Bell Atlantic Corporation For Consent to Transfer Control of Domestic and International Sections 214 and 301 Authorizations and Application to Transfer Control of a Submarine Cable Landing License, CC Docket No. 98-184

The enclosed materials are being filed pursuant to Verizon Communications Inc.'s obligations under Appendix D, Section XXII, Paragraph 56(e) of the above referenced docket to obtain independent examinations of its compliance with the merger conditions and its controls over compliance with the merger conditions. The accompanying material includes:

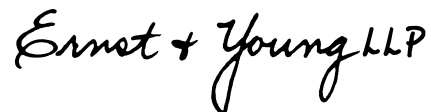
- Report of Independent Accountants on the effectiveness of internal controls over compliance with Merger Conditions V, XVI and XIX
- Report of Management on the Effectiveness of Controls over Compliance with Merger Conditions V, XVI and XIX
- Report of Independent Accountants on compliance with Merger Conditions V, XVI and XIX
- Report of Management on Compliance with Merger Conditions V, XVI and XIX

June 2, 2003

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Please place a copy of the attached independent accountants' reports in the Ex Parte file of the above referenced proceeding.

Very truly yours,



Copy to: Ms. M. Del Duca
Mr. H. Boyle
Mr. M. Stephens
Mr. P. Young
Mr. J. Ward
Ms. M. Howe

Report of Independent Accountants

To the Management of
Verizon Communications Inc.

1. We have examined the effectiveness of Verizon Communications Inc.'s (the "Company" or "Verizon") internal control over compliance with Condition V, *Carrier to Carrier Performance Plan*, Condition XVI, *Out-of-Territory Competitive Entry*, and Condition XIX, *Additional Service Quality Reporting*¹ of the Merger Conditions² ("Merger Conditions V, XVI and XIX") during the year ended December 31, 2002 (the "Evaluation Period") based on criteria set forth in the Merger Conditions and examined management's assertion, included in the accompanying Report of Management on the Effectiveness of Controls over Compliance with Merger Conditions V, XVI and XIX, that the Company maintained effective internal control over compliance with Merger Conditions V, XVI and XIX during the Evaluation Period. The Company's management is responsible for maintaining effective internal control over compliance with Merger Conditions V, XVI and XIX. Our responsibility is to express an opinion based on our examination.
2. Except as discussed in paragraphs four and five, our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of the Company's internal control over the compliance with the requirements referenced above, testing and evaluating the design and operating effectiveness of those controls, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.
3. Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of internal control over compliance with the requirements referenced above to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.
4. Pertaining to Merger Condition XIX, the FCC staff and the Company agreed that we would test and report on the internal control over the process to calculate and report all of the Genuity measurements and eight service quality measurements as calculated under the

¹ As discussed in paragraph four, for Condition XIX, we have examined the internal control over the reported data related to eight service quality measurements for the Evaluation Period.

² "Merger Conditions" are set forth in Appendix D of the Federal Communications Commission's ("FCC's") Order Approving the Bell Atlantic/GTE Merger (*Application of GTE Corporation, and Bell Atlantic Corporation for Consent to Transfer Control of Domestic and International Sections 214 and 310 Authorizations and Application to Transfer Control of Submarine Cable Landing License*, CC Docket No. 98-84, Memorandum Opinion and Order, FCC 00-221 (rel. June 16, 2000)).

To the Management of
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Service Quality Business Rules³ for the Evaluation Period. The FCC staff selected, and the Company agreed with, the following eight service quality measures for Ernst & Young to perform procedures on during the Evaluation Period:

Installation:

1. Line Number 120 – Number of orders for basic service delayed over 30 days
2. Line Number 135 – Number of orders with missed installation commitments

Maintenance & Repair:

3. Line Number 230 – Number of out-of-service repeat trouble reports

Network Performance:

4. Line Number 300 – Switch/Line concentrator outages (exceeding 2 minutes)

Interoffice Transmission Facility Service Affecting Outages:

5. Line Number 350 – T3 outages over 6 hours
6. Line Number 360 – Outages over 10 minutes, over 500 T1 message trunks
7. Line Number 370 – Outages over 2 minutes totally isolating a central office or community

Answer Time Performance:

8. Line Number 510 – Average waiting time total for calls answered by attendants

5. Condition V, *Carrier to Carrier Performance Plan*, requires the Company to make monthly voluntary payments to the U.S. Treasury based on the results of operational performance in seventeen measurement categories specified in the Performance Measurement Business Rules⁴. The Company adjusts the monthly voluntary payments to account for the impact of restatements to the originally filed performance measurements.

Prior to April 2003, the Company filed restatements to originally filed performance measurement data with the FCC for known errors that could be corrected on a retroactive basis six months after the original filing date. Subsequent to March 2003, the Company discontinued filing restated performance measurement data. Additionally, some known errors are only corrected on a prospective basis due to the inability of the Company to retrieve the underlying data necessary to restate the original performance measurement data. In addition, Condition V of the Merger Conditions prescribes a three-step calculation process for payments related to performance measurements expressed as averages or means. As described in letters dated September 20, 2002 and October 3, 2002 from Joseph DiBella, Verizon Regulatory Counsel, to the FCC, Verizon is currently using a 100% cap in step two

³ The “Service Quality Business Rules” are defined in the NARUC White Paper and the Genuity Business Rules as agreed to in a letter to Ms. Dorothy Attwood of the FCC from Mr. Gerald Asch of Verizon dated April 10, 2002 regarding “Installation and Repair Intervals InterExchange Access Measurement Definitions”.

⁴ “Performance Measurement Business Rules” refer to attachments A-1a (fBA) and A-2b (fGTE), updated May 2002, of the FCC’s Memorandum Opinion and Order in CC Docket No. 98-184.

To the Management of
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of this calculation process (the “100% Cap”). In a Memorandum Opinion and Order released May 20, 2003, the FCC concluded that the Merger Conditions do not permit Verizon to apply an additional cap midway through the calculation process for performance measures using averages or means.

The Company has not implemented a process to adjust voluntary payments made to the U.S. Treasury due to the impact, if any, of known errors that are only corrected on a prospective basis or extend beyond the six month restatement process or the impact, if any, of the 100% Cap. Accordingly, we were unable to, and do not, express an opinion on the Company’s internal control over compliance with the requirement to accurately calculate and remit voluntary payments under Condition V.

6. Our examination disclosed the following related to the Company’s internal control over compliance with Merger Conditions V, XVI and XIX during the Evaluation Period⁵:
 - a. During the period from January through September 2002 for the fBA states and during the entire Evaluation Period for the fGTE states, the processes used to produce the monthly performance measurements for Condition V, *Carrier to Carrier Performance Plan*, did not include adequate controls to prevent some material errors from occurring as a result of modifications to the operations support systems, changes in Business Rules and manual procedures of the calculation and reporting processes or to detect material errors prior to the initial filing of the performance measurement reports⁶.
 - b. The processes used to calculate and report the eight service quality measurements described in paragraph four did not include adequate controls to prevent material errors from occurring within the manual components of the calculation and reporting processes or to detect material errors prior to the initial filing of the service quality reports.
7. In our opinion, limited as to internal control over compliance with Condition V as described in paragraph five and except for the effect of the control deficiencies described in paragraph 6.a. the Company maintained, in all material respects, effective internal control over compliance with Merger Conditions V, XVI and XIX for the Evaluation Period based on criteria set forth in the Merger Conditions. Additionally, pertaining to Condition XIX, limited as described in paragraph four and except for the effect of control deficiencies

⁵ The Company has applied certain interpretations of the Performance Measurement Business Rules associated with the calculation and reporting of performance measures as described in Attachment C to our Report of Independent Accountants dated May 30, 2003. The FCC staff has been requested to provide their interpretations of these matters. We have not considered these interpretations in our evaluation of the Company’s internal control over compliance with Merger Condition V.

⁶ These control deficiencies are associated with the exceptions to the Company’s compliance with Condition V as reported in Attachment A to our Report of Independent Accountants dated May 30, 2003. Of the 34 errors included in such Attachment A, Verizon identified 30 of these errors. As reflected in the Company’s Report of Management on the Effectiveness of Controls over Compliance with Merger Conditions V, XVI and XIX, the total number of Condition V submeasurements impacted by these material errors represent less than 5% of the total reported submeasurements for the Evaluation Period. We have not examined this representation.

To the Management of
Verizon Communications Inc.

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described in paragraph 6.b., the Company maintained, in all material respects, effective internal control over the process to calculate and report data for all of the Genuity measurements and the eight service quality measurements described in paragraph four in accordance with the Service Quality Business Rules during the Evaluation Period.

8. This report is intended solely for the information and use of the Company and the FCC and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Ernst & Young LLP

May 30, 2003

**Report of Management on the Effectiveness of
Controls over Compliance with Merger Conditions V, XVI and XIX**
May 30, 2003

Management of Verizon Communications Inc. ("Verizon") is responsible for establishing and maintaining effective internal controls over the Company's¹ compliance with the Conditions set forth in Appendix D (the "Merger Conditions") of the Federal Communications Commission's ("FCC's") Memorandum Opinion and Order in CC Docket No. 98-184 approving the Bell Atlantic/GTE Merger.² The internal controls are designed to provide reasonable assurance to the Company's management and Board of Directors that the Company is in compliance with the Merger Conditions.

Management's assertions that follow relate only to compliance with Condition V (Carrier-to-Carrier Performance Plan, Including Performance Measurements), Condition XVI (Out-of-Territory Competitive Entry) and Condition XIX (Additional Service Quality Reporting) of the Merger Conditions. The Company's internal controls have been designed to comply with the Merger Conditions. There are inherent limitations in any control, including the possibility of human error and the circumvention or overriding of the internal controls. Accordingly, even effective internal controls can provide only reasonable assurance with respect to the achievement of the objectives of internal controls. Further, because of changes in conditions, the effectiveness of internal controls may vary over time.

The Company has determined that the objectives of the internal controls with respect to compliance with the Merger Conditions are to provide reasonable, but not absolute, assurance that compliance with the Merger Conditions has been achieved.

The Company has assessed its internal controls over compliance with Condition V (Carrier-to-Carrier Performance Plan, Including Performance Measurements), Condition XVI (Out-of-Territory Competitive Entry) and Condition XIX (Additional Service

¹ The word "Company" or "Companies" used throughout this assertion refers to the Verizon telephone companies operating as incumbent local exchange carriers ("ILECs"), collectively as follows: Contel of Minnesota, Inc. d/b/a Verizon Minnesota, Contel of the South, Inc. d/b/a Verizon Mid-States, GTE Alaska Incorporated d/b/a Verizon Alaska, GTE Arkansas Incorporated d/b/a Verizon Arkansas, GTE Midwest Incorporated d/b/a Verizon Midwest, GTE Southwest Incorporated d/b/a Verizon Southwest, The Micronesian Telecommunications Corporation, Verizon California Inc., Verizon Delaware Inc., Verizon Florida Inc., Verizon Hawaii Inc., Verizon Maryland Inc., Verizon New England Inc., Verizon New Jersey Inc., Verizon New York Inc., Verizon North Inc., Verizon Northwest Inc., Verizon Pennsylvania Inc., Verizon South Inc., Verizon Virginia Inc., Verizon Washington, DC Inc., Verizon West Coast Inc., Verizon West Virginia Inc., provided that, with regard to the Micronesian Telecommunications Corporation, these assertions only apply to Merger Conditions IV, XIV, XVII, XVIII, XXI, XXII, XXIII, XXIV, and XXV (see Merger Conditions, n.3). On June 30, 2002, July 31, 2002 and August 31, 2002, the Companies completed the sale of wire line properties in Alabama, Kentucky and Missouri, respectively, and the Merger Conditions ceased to apply in those states.

² *Application GTE Corp. and Bell Atlantic Corp. for Consent to Transfer Control of Domestic and International Sections 214 and 310 Authorizations and Application to Transfer Control of a Submarine Cable Landing License*, CC Docket No. 98-184, Memorandum Opinion and Order, FCC 00-221 (rel. June 16, 2000).

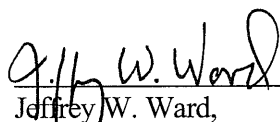
**Report of Management on the Effectiveness of
Controls over Compliance with Merger Conditions V, XVI and XIX**
May 30, 2003

Quality Reporting) of the Merger Conditions. Based on this assessment, the Company asserts that for the year ended December 31, 2002, its internal controls over compliance with the Merger Conditions were effective in providing reasonable assurance that the Company has complied with the Merger Conditions.

During 2002, the processes used by Verizon to provide the Carrier-to-Carrier performance metrics required by Merger Condition V and the Additional Service Quality Reporting required by Merger Condition XIX resulted in certain errors. Verizon's internal controls are designed to prevent errors before they affect the performance measurements and to provide timely corrections in the event that certain errors do affect the performance measurements. Given the number of metrics, the complexity of the systems and processes employed to provide data to populate these metrics and the low incidence and small magnitude of the errors, Verizon does not believe the errors revealed a control weakness. The exceptions listed in Sections I and II of Attachment A to this report affected fewer than 5% of the total reported Merger Condition V sub-metrics during the evaluation period. Exceptions listed in both Attachment A and Attachment B affected 6% of the total sub-metrics subject to this evaluation. During 2002, Verizon continued to reduce errors affecting the performance measurements and continued to implement corrective actions.

Because the Condition V errors could affect Verizon's liability for performance payments, Verizon instituted a process effective with the January 2001 payment to evaluate the impact on the metric reports and performance payments based on the restated performance measurements for those errors where Verizon could restate the performance measurements. The net adjustment to the payments due resulting from the restatements was not significant. The restatements were discontinued in April of 2003³.

Verizon Communications Inc.



Jeffrey W. Ward,

Senior Vice President - Regulatory Compliance

Dated: May 30, 2003

³ The last data month restated was August 2002.

Report of Independent Accountants

To the Management of
Verizon Communications Inc.

1. We have examined Verizon Communications Inc.'s (the "Company" or "Verizon") compliance with Condition V, *Carrier to Carrier Performance Plan* ("Condition V"), Condition XVI, *Out-of-Territory Competitive Entry* ("Condition XVI"), and Condition XIX, *Additional Service Quality Reporting*¹ ("Condition XIX") of the Merger Conditions² ("Merger Conditions V, XVI and XIX") and with the Consent Decree³ during the Evaluation Period⁴ and examined management's assertion, included in the accompanying Report of Management on Compliance with Merger Conditions V, XVI and XIX ("Report of Management"), that the Company complied with Merger Conditions V, XVI and XIX and the Consent Decree during the Evaluation Period, except as noted therein. Management is responsible for the Company's compliance with Merger Conditions V, XVI and XIX and the Consent Decree. Our responsibility is to express an opinion based on our examination.
2. Except as discussed in paragraphs four and five, our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Company's compliance with the requirements referenced above and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our

¹ As discussed in paragraph four, for Condition XIX, we have examined the accuracy and completeness of reported data related to eight service quality measurements for the Evaluation Period based on the NARUC White Paper. The NARUC White Paper and the Genuity Business Rules as agreed to in a letter to Dorothy Attwood of the FCC from Gerald Asch of Verizon dated April 10, 2002 regarding "Installation and Repair Intervals InterExchange Access Measurement Definitions" represent the "Service Quality Business Rules".

² "Merger Conditions" are set forth in Appendix D of the Federal Communications Commission's ("FCC") Order Approving the Bell Atlantic/GTE Merger (*Application of GTE Corporation, and BellAtlantic Corporation for Consent to Transfer Control of Domestic and International Sections 214 and 310 Authorizations and Application to Transfer Control of Submarine Cable Landing License*, CC Docket No. 98-184, Memorandum Opinion and Order, FCC 00-221 (rel. June 16, 2000)), including attachments A-1a (fBA) and A-2b (fGTE), updated as of May 2002 ("Performance Measurement Business Rules").

³ The "Consent Decree" requirements are set forth in the Order and Consent Decree released on August 20, 2002 by the Enforcement Bureau in File No. EB-01-IH-0519.

⁴ The "Evaluation Period" is the year ended December 31, 2002 for Merger Conditions V, XVI and XIX and the period from August 20, 2002 through December 31, 2002 for the Consent Decree.

To the Management of
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opinion. Our examination does not provide a legal determination on the Company's compliance with specified requirements.

3. The Company has applied certain interpretations of the Performance Measurement Business Rules associated with the calculation and reporting of performance measures as described in Attachment C. The FCC staff has been requested to provide their interpretations of these matters. We have not considered these interpretations as instances of noncompliance with Merger Condition V.
4. Pertaining to Merger Condition XIX, the FCC staff and the Company agreed that we would test and report on the accuracy and completeness of all of the Genuity measurements and eight service quality measurements as calculated under the Service Quality Business Rules for the Evaluation Period. The FCC staff selected, and the Company agreed with, the following eight service quality measures for Ernst & Young to test and report on the accuracy and completeness during the Evaluation Period:

Installation:

1. Line Number 120 – Number of orders for basic service delayed over 30 days
2. Line Number 135 – Number of orders with missed installation commitments

Maintenance & Repair:

3. Line Number 230 – Number of out-of-service repeat trouble reports

Network Performance:

4. Line Number 300 – Switch/Line concentrator outages (exceeding 2 minutes)

Interoffice Transmission Facility Service Affecting Outages:

5. Line Number 350 – T3 outages over 6 hours
6. Line Number 360 – Outages over 10 minutes, over 500 T1 message trunks
7. Line Number 370 – Outages over 2 minutes totally isolating a central office or community

Answer Time Performance:

8. Line Number 510 – Average waiting time total for calls answered by attendants

5. Condition V, *Carrier to Carrier Performance Plan*, requires the Company to make monthly voluntary payments to the U.S. Treasury based on the results of operational performance in seventeen measurement categories specified in the Performance Measurement Business Rules. The Company adjusts the monthly voluntary payments to account for the impact of restatements to the originally filed performance measurements. We have tested the accuracy of the calculation of voluntary payments

To the Management of
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for both the originally filed and restated performance measurements during the Evaluation Period.

Prior to April 2003, the Company filed restatements to originally filed performance measurement data with the FCC for known errors that could be corrected on a retroactive basis six months after the original filing date. Subsequent to March 2003, the Company discontinued filing restated performance measurement data⁵. Additionally, some known errors are only corrected on a prospective basis due to the inability of the Company to retrieve the underlying data necessary to restate the original performance measurement data.

In addition, Condition V of the Merger Conditions prescribes a three-step calculation process for payments related to performance measurements expressed as averages or means. As described in letters dated September 20, 2002 and October 3, 2002 from Joseph DiBella, Verizon Regulatory Counsel, to the FCC, Verizon is currently using a 100% cap in step two of this calculation process (the “100% Cap”). In a Memorandum Opinion and Order released May 20, 2003, the FCC concluded that the Merger Conditions do not permit Verizon to apply an additional cap midway through the calculation process for performance measures using averages or means⁶.

The Company has not determined the impact, if any, of known errors that are only corrected on a prospective basis or extend beyond the six month restatement process on the voluntary payments made to the U.S. Treasury or on their estimate of the impact of the 100% Cap on voluntary payments. Accordingly, we were unable to, and do not, express an opinion on the accuracy of the Company’s compliance with the requirement to accurately calculate and remit voluntary payments under Condition V.

6. Our examination disclosed certain instances of material noncompliance with Merger Condition V and Merger Condition XIX based on the Performance Measurement and Service Quality Business Rules during the Evaluation Period as described in Attachment A and Attachment B, respectively, to this report.
7. In our opinion, limited as to the effects of paragraph five and considering the Company’s interpretations of Merger Condition V as described in paragraph three and in Attachment C, except for the material noncompliance described in paragraph

⁵ August 2002 performance data was the last month that was restated by the Company for known errors that were corrected. In a letter dated April 14, 2003 from Dee May of Verizon to Maureen Del Duca of the FCC, Verizon notified the FCC of its decision to discontinue the voluntary provisioning of amendments to the FCC Carrier-to-Carrier performance reports effective as of that date.

⁶ As reflected in the Report of Management, Verizon estimated that its methodology affected voluntary payments made during the Evaluation Period by less than 1.5% in comparison to the methodology described by the FCC in its May 20, 2003 order. We have not examined management’s estimate.

To the Management of
Verizon Communications Inc.

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six and Attachments A and B, the Company complied, in all material respects, with Merger Conditions V, XVI and XIX and the Consent Decree during the Evaluation Period, including, as to Merger Conditions V, XVI and XIX only, the filing of an accurate annual compliance report, the Company providing the FCC with timely and accurate notice pursuant to the specific notification requirements, and the Company providing telecommunications carriers and regulators with accurate and complete performance data. Additionally, pertaining to Merger Condition XIX, limited as discussed in paragraph four and except for the material noncompliance described in paragraph six and Attachment B, the Company filed, in all material respects, accurate and complete data for all Genuity measurements and the eight service quality measurements discussed in paragraph four above, in accordance with the Service Quality Business Rules during the Evaluation Period.

8. This report is intended solely for the information and use of the Company and the FCC and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Ernst & Young LLP

May 30, 2003

Report of Independent Accountants

Attachment A – Condition V Compliance Exceptions

Following is a listing of the material exceptions to the Company's compliance with Condition V, *Carrier-to-Carrier Performance Plan*, for the year ended December 31, 2002.

No.	PMs/Products Impacted	Months ¹ / States ²	Description
1	PO-1-04 PO-1-05	November - CA, FL, IN, MI, NC, PA, SC, TX August through September CA, WA, HI August, September, December - OR August, November - FL August - ID September - NV	In August, the Company began pulling retail pre-order transactions from the Converged Order Fulfillment Entry Engine (COFEE) source system only, rather than both from the COFEE and National Order Collection Vehicle (NOCV) source systems. However, not all pre-order transactions were being processed by COFEE. As a result, some transactions were being excluded from the Company's calculation and reporting of pre-order performance measurements. No monthly results have been restated.
2	PO-1-06	January through November CA, FL, ID, IN, MI, MO, NC, NV, OR, PA, SC, TX, WA, WI January through June KY January through February VA April - AL May - HI	The sequencing times used by the applications that capture the query receipt and query response times were inconsistent, resulting in inaccurate calculations of average response times. Process was corrected with the December 2002 data month. No monthly results have been restated.
3	OR-5-01 OR-5-03 UNE	January through August All f/GTE states	Local Number Portability (LNP) order volume was incorrectly reported as Resale instead of Unbundled Network Element (UNE). Process was corrected with the September 2002 data month. Restated data was filed for March through August 2002.
4	PR-3-08 Resale POTS	January through August All f/BA states except NJ	Orders with less than the standard interval were excluded in error. Only those with greater than the standard interval should have been excluded from the metrics. Process was corrected with the September 2002 data month. Restated data was filed for March through April 2002.

¹ The months shown in the table reflect the period(s) in which the error was materially inaccurate.

² See page 7 for the states and the period each state is subject to our examination.

Report of Independent Accountants

Attachment A – Condition V Compliance Exceptions

No.	PMs/Products Impacted	Months ³ / States ⁴	Description
5	PR-6-01 All products except Resale 2-Wire xDSL, Retail Resale 2-Wire xDSL, Retail	January through June DC, MD, VA, WV March - MD	The source system extract program caused the inward line count associated with the Digital Services Network Assignment Field Identifier to be overstated. Process was corrected with the July 2002 data month. Restated data was filed for February through June 2002.
6	PR-3-08 Retail POTS PR-3-09 Retail POTS	January through February All fGTE states except ID, NV January through February All fGTE states except HI, ID, NV	Some Retail orders indicated incorrectly that a customer had requested a due date greater than the due date offered. Process was corrected with the March 2002 data month. No monthly results have been restated.
7	PR-3-08 UNE Loop Non-Designed, Retail PR-3-08 Retail Business POTS Dispatched PR-3-09 Resale POTS, UNE Loop Non-Designed, Retail	January through February CA, FL, IN, TX, WA January through February fGTE PA January through February All fGTE states with the exception of ID, NV	Process did not include all CLEC orders where service was reserved in advance and exclude all orders where the customer requested due date was beyond what is offered. Process was corrected with the March 2002 data month. Restated data was filed for January through February 2002.
8	MR-2-01 Resale Specials, Retail PR-6-01 Retail Specials	January through March ME, NH, RI, VT January through February RI, VT	Official circuits were included in the denominator and Flexpath circuits were counted as 24 DS0 circuits in the denominator, rather than as one circuit. Process was corrected with the April 2002 data month. Restated data was filed for January through March 2002.
9	MR-2-01 Resale Specials, Retail	January through November All fGTE states except NV	Some Specials products such as line sharing and line splitting were incorrectly included in the denominator. Process was corrected with the December 2002 data month. Restated data was filed for June through November 2002.

³ The months shown in the table reflect the period(s) in which the error was materially inaccurate.

⁴ See page 7 for the states and the period each state is subject to our examination.

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Attachment A – Condition V Compliance Exceptions

The items noted below were identified in the same manner as above; however, these material exceptions are cases of low volumes or isolated instances by month, jurisdiction or product for a particular performance measurement(s) that may or may not be aberrational.

No.	PMs/Products Impacted	Months / States	Description
10	PO-1-04 CLEC Aggregate	January through December All fGTE states	Some Service and Feature Availability requests are not being included in the PO-1-04 metric. No monthly results have been restated.
11	PO-2-02 All WISE Interfaces	June All fGTE states	Some outages were incorrectly excluded from the metric. Process was corrected with the September 2002 data month. Restated data was filed for May through August 2002.
12	OR-1-04 UNE Specials OR-1-06 UNE Specials	January All fBA states January ME, NH, NJ, RI	UNE Special orders with less than 10 lines were incorrectly included in OR-1-04 when they should have been included in OR-1-06. Process was corrected with the February 2002 data month. Restated data was filed for January 2002.
13	OR-1-04 OR-1-06 UNE Specials	February through June MD, DC, VA	UNE PBX trunks were not properly classified as a UNE POTS product. Process was corrected with the July 2002 data month. Restated data was filed for February through June 2002.
14	OR-1-04 UNE Specials OR-2-04 UNE Specials	January through March DC, ME, NH January through March ME, NH, WV	Line sharing Local Service Requests (LSR) requiring loop qualification should have been reported under 2-Wire xDSL rather than Specials. Process was corrected with the April 2002 data month. Restated data was filed for January through March 2002.
15	OR-1-04 OR-2-04 UNE Specials OR-1-12 CLEC Trunks OR-2-12 CLEC Trunks	January All fBA states January NH January RI, VA	Disconnect orders received on an Access Service Request were not included in the OR metrics. Process was corrected with the March 2002 data month. Restated data was filed for January 2002.
16	OR-2-04 UNE Specials OR-2-06 UNE Specials	January through February MD, NH, VA January through February - DC, MD, NJ, RI, VA, WV	Metrics included duplicate rejects. Rejects issued against a unique Purchase Order Number (PON), identical and subsequent to the first reject should have been excluded. Process was corrected with March 2002 data month. Restated data was filed for January through February 2002.

Report of Independent Accountants

Attachment A – Condition V Compliance Exceptions

No.	PMs/Products Impacted	Months / States	Description
17	OR-2-12 CLEC Trunks	January - NH, NJ, RI, VA February - NJ, VT March - ME, NH, VT April - NJ, VT May - NH, NJ, VA June - DC July - DC, MD, NH, VA, WV August - DC, DE, MD, VA, WV September - DC, DE, MD, NH, VA,	Rejected trunks were measured when an order was completed or cancelled; therefore, pending trunk orders were not included in the calculation of the performance measurement. Process was corrected with the October 2002 data month. Restated data was filed for March through August 2002.
18	OR-2-12 CLEC Trunks	January - NH, RI February - VT March - ME, NH, VT April - VT May - NH June - DC	Orders designated as projects were excluded from the <=192 forecasted trunks category. Process was corrected with the July 2002 data month. Restated data was filed for January through June 2002.
19	OR-2-12 CLEC Trunks	January NH, RI, VA February - VT March - ME, NH, VT April - VT May - NH, VA June - DC July - DC, NH, VA, WV August - DC, VA, WV	The calculation excluded all subsequent rejects when it should have included all rejects where the PON was not unique. Process was corrected with the September 2002 data month. Restated data was filed for March through August 2002.
20	OR-2-12 CLEC Trunks MR-4-07 CLEC Trunks MR-5-01 CLEC Trunks	January through May - NJ, VA, WV June - DC, NJ, VA, WV January through June NJ January through June VA	CLEC 2-Way Trunks were not being identified as CLEC trunks. Process was corrected with the July 2002 data month. Restated data was filed for January through June 2002.
21	OR-2-02 Resale POTS UNE Loop Non-Designed UNE 2-Wire xDSL Loop	November through December HI, WI November through December - HI, SC November through December - MI	Some LSRs, stamped with a batch receipt date and time rather than the actual receipt date and time, were either included or excluded incorrectly from the metric. Process was corrected beginning February 14, 2003. No monthly results have been restated.

Report of Independent Accountants

Attachment A – Condition V Compliance Exceptions

No.	PMs/Products Impacted	Months / States	Description
22	PR-4-01 Retail DS0 Retail DS1	March through June All f/BA states	Some DS0 channels were incorrectly counted as DS1 within the metrics. Process was corrected with the July 2002 data month. Restated data was filed for January through June 2002.
23	PR-4-02 Retail POTS	January through December MD	Non-designed Foreign Exchange orders were not included in the POTS count. Process was corrected with the January 2003 data month. Restated data was filed for July through December 2002.
24	PR-4-07 UNE LNP	January through August DE, MD	Some orders were incorrectly excluded from this metric. Process was corrected with the September 2002 data month. Restated data was filed for March through August 2002.
25	PR-4-07 UNE LNP	May All f/BA states	Performance measurement results were incorrectly reported as NA. Process was corrected with the June 2002 data month. Restated data was filed for March through August 2002.
26	PR-4-01 CLEC Trunks PR-4-02 CLEC Trunks	January through November - IN, OR, PA, SC January through November - CA January, May through July, September - OR March through June, August through November - PA May through November IN	Some trunks other than Interconnection Trunks were incorrectly included in the CLEC numerator. Process was corrected with the December 2002 data month. Restated data was filed for May through October 2002.
27	MR-3-01 UNE-Platform UNE-Platform - Residence	January through March All f/BA states April through June - MD, NJ, NH, VA April, June - DE, WV April - DC, VT	Some line records and troubles were either excluded or improperly classified when a valid wire center or a valid CLEC ID was absent on a line record or a trouble. Process was corrected with the July 2002 data month. Restated data was filed for January through June 2002.
28	MR-3-01 MR-4-08 MR-5-01 UNE – POTS	January - DC, WV January - DC, MD, WV January - MD	Trouble reports containing a 5-digit service code were not included in the metric. Process was corrected with the February 2002 data month. Restated data was filed for January 2002.
29	MR-4-03 Resale POTS/Complex	January through March NJ	Official company service circuits were included in the POTS and 2-Wire Digital metrics in error. Process was corrected with the July 2002 data month. Restated data was filed for February through July 2002.

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Attachment A – Condition V Compliance Exceptions

No.	PMs/Products Impacted	Months / States	Description
30	MR-5-01 UNE Specials	January through June All fBA states except NJ	A trouble with a disposition code of 03, 04, 05, was not scored as a repeated trouble against an initial Costumer Premise Equipment report. Process was corrected with the July 2002 data month. Restated data was filed for January through June 2002.
31	MR-2-01 MR-4-01 MR-4-08 MR-5-01 PR-6-01 Retail Specials	June through September fGTE VA	Some special service line counts and troubles were excluded from the fGTE VA and included in the fBA VA metric. Process was corrected with the October 2002 data month. No monthly results have been restated.
32	MR-3-01 MR-4-01 Resale Specials	January - FL	The Verizon affiliate data for One Point Communications dba Verizon Avenue were incorrectly included in the CLEC Aggregate reports. Process was corrected with the February 2002 data month. Restated data was filed for January 2002.
33	MR-4-01 Retail Specials	January through December CA	Manual entry errors caused some trouble reports for non-designed services to be included in the ILEC reported results for special services. Investigation is underway to determine what corrective action, if any, is appropriate.
34	MR-5-01 All Products	January through June CA, FL, IN, KY, MI, NC, OR, PA, SC, TX, VA, WA	Separate trouble reports for different segments of the same circuit received on the same day were counted as repeat troubles in the metric calculation. Process was corrected with the July 2002 data month. Restated data was filed for January through June 2002.
	Resale POTS	January through June AL, MO February - HI	
	UNE Loop Designed	April, June - ID	
	UNE 2-Wire xDSL	January, March - ID March - MO June - AL, MO	
	LNP	June - AL	
	UNE Loop Non-Designed	January through June HI	
	Interconnection Trunks	February, March, June HI April - AL	

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Attachment A – Condition V Compliance Exceptions

The chart below indicates states and months where reports were required for the *f*BA and *f*GTE regions. Unless otherwise noted, material exceptions will include all states reported for that month.

<i>FBA</i>	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
RI												
VT												
ME												
NJ												
NH												
DE												
VA												
DC												
MD												
WV												

<i>f</i> GTE	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
AL							SOLD					
AZ	Planned Sale											
CA												
FL												
HI												
ID												
IN												
KY								SOLD				
MI												
MO									SOLD			
NC												
NV												
OR												
PA												
SC												
TX												
VA			Temporary Suspension ⁵									
WA												
WI												

⁵ FCC Order released April 11, 2002 granted Verizon's request for temporary suspension of reporting requirements during conversion of *f*GTE systems to *f*BA systems.

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Attachment B – Condition XIX Compliance Exceptions

Following is a listing of the material exceptions to the Company's compliance with Condition XIX, *Service Quality Business Rules*, for the year ended December 31, 2002.

No.	Report Impacted	Months / States Impacted	Description
1	Genuity Report - Installation Intervals – High Speed and All Special Access	All fBA States ¹ January-July	The installation interval data for the companies included in the fBA region reports was calculated incorrectly due to a programming error in the calculation of summary level monthly data by company. The appropriate data for January through September 2002 was refiled in January 2003.
2	NARUC Line 120	All fGTE States ² January–December	The Company calculated the number of orders delayed over 30 days for all of the states in the fGTE region based on business days instead of calendar days, as specified in the NARUC White Paper. The appropriate data for January through December was refiled in May 2003.
3	NARUC Report	Virginia July-December	The NARUC reports for Virginia for July through December did not contain any fGTE data. The data was inadvertently excluded due to a programming error after the consolidation of Virginia fBA and fGTE systems. The appropriate data for July through December was refiled in May 2003.
4	NARUC Line 300 NARUC Line 350 NARUC Line 360 NARUC Line 370	For various fGTE and fBA states January-December	Some network performance or switch outages were incorrectly included or excluded from the reported data due to manual errors. In addition some network performance outages were reported with inaccurate outage duration or event times. The appropriate data for January through December was refiled in May 2003.
5	NARUC Report ARMIS Report	April through June 2 nd Quarter Report Micronesia	The NARUC and ARMIS reports filed for Micronesia Telecommunications Corporation (“Micronesia”) did not contain any data. The data was not reported due to the pending sale of Micronesia. Following the decision not to sell Micronesia, the proper NARUC and ARMIS reports were refiled in December 2002.
6	NARUC Line 510	CA- April, June NC–January thru April, June FL – March, June	For the states and months listed the Company omitted certain types of calls in its calculation of the average answer time as reported on Line 510. The corrected measures were subsequently refiled in February 2003.

¹ fBA States include: CT, DC, DE, MA, MD, ME, NH, NJ, NY, PA, RI, VA, VT, WV

² fGTE States include: AZ, CA, FL, HI, ID, IL, IN, MC, MI, NC, NV, OH, OR, PA, SC, TX, VA, WA, WI for the period January through December 2002. AL is only included for the period January through June 2002, KY is only included for the period January through July 2002, and MO is only included for the period January through August 2002 as these properties were sold.

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Attachment B – Condition XIX Compliance Exceptions

No.	Report Impacted	Months / States Impacted	Description
7	NARUC Line 120 NARUC Line 135 NARUC Line 230	California July- September	The Company inadvertently included the NonMSA data in the MSA results column for the installation and maintenance metrics. The appropriate data for July through September was refiled in February 2003.
8	NARUC Line 135	All fGTE and fBA states January – December	The Company omitted missed installation commitments for canceled orders. The company should have reported all missed installation commitments for both completed and canceled orders.
9	NARUC Line 230	All fGTE and fBA states January – December	The Company omitted trouble reports based on certain category and disposition codes. The company should have included all trouble tickets, without exception, for reporting purposes.
10	NARUC Line 510	For Business Office calls, all fGTE States except for CA, FL, and NC. For Repair Office calls, all fGTE States except for NC. January – December	The Company reported Line 510 based upon existing state regulatory reporting, which in some cases allowed for Voice Response Unit (VRU) calls to be included with a default value of one or two seconds. The Company should not have included the VRU calls with the associated default times.
11	Genuity Report	Please see Page 3 for the states and months impacted by this exception.	The Company did not provide service quality data for other companies in months and states where there was no Genuity activity. The company should have reported all monthly results for both Genuity and other carriers, whether or not there was Genuity activity for both sets of entities in a given month.

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Attachment B – Condition XIX Compliance Exceptions

The following chart depicts where the Company did not provide service quality data for other companies in months and states where there was no Genuity activity. (See Exception Number 11)

<i>f</i> BA	Jan	Feb	Mar	Apr	May	Jun	Jul
Connecticut	X	X	X	X	X	X	X
District of Columbia					X		
Delaware	X	X	X	X	X	X	X
Massachusetts					X		X
Maryland		X	X	X	X		
Maine	X	X	X	X	X	X	X
New Hampshire	X	X	X	X	X	X	X
New Jersey				X		X	
New York				X			
Pennsylvania							
Rhode Island	X	X	X	X	X	X	X
Virginia	X	X	X	X	X	X	X
Vermont	X	X	X	X	X	X	X
West Virginia	X	X	X	X	X	X	X

<i>f</i> GTE	Jan	Feb	Mar	Apr	May	Jun	Jul
Alabama	X	X	X	X		X	SOLD
Arizona	X	X	X	X	X	X	X
California			X				
Florida	X						X
Hawaii	X	X	X		X		X
Idaho	X	X	X	X		X	X
Illinois	X			X	X	X	X
Indiana						X	
Kentucky		X	X	X	X		X
Michigan	X		X	X	X	X	X
Missouri	X	X	X	X		X	X
North Carolina		X	X			X	X
Nevada	X	X	X	X	X	X	X
Ohio	X	X	X	X	X	X	X
Oregon	X	X	X		X	X	X
Pennsylvania	X			X		X	
South Carolina	X	X	X	X	X	X	X
Texas		X		X			X
Virginia	X	X			X	X	X
Washington	X		X	X			
Wisconsin	X	X	X	X	X	X	X

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Attachment C – Condition V Interpretations

In implementing the calculation and reporting of metrics under Condition V, the Company has made certain interpretations regarding the application of the Performance Measurement Business Rules. Noted below are interpretations made by management related to the Company's application of the Business Rules. Ernst & Young has not considered these interpretations as exceptions to compliance with Condition V of the Merger Order.

No.	PMs / Region	Description of Interpretation
1	MR-4 fGTE	<p>MR-4 Trouble Duration Interval measures the average duration (in hours) of customer network trouble reports.</p> <p>The Performance Measurement Business Rules for this metric define duration to be "the elapsed hours from the date and time the trouble is created to the date and time the trouble is cleared."</p> <p>In cases where the customer does not accept the original commitment time offered by Verizon, the customer requested Appointment Date/Time is used in lieu of Creation Date/Time as the starting point for the calculation of the duration for the MR-4 sub-metrics.</p>
2	PR-3, PR-4 & PR-6 fBA	<p>PR-3 Completed within Specified Number of Days (1-5 Lines): For POTS order with 5 or fewer lines, the percent of orders completed in five business days, between application and work completion dates.</p> <p>PR-4 Missed Appointments: The percent of orders completed after the commitment date.</p> <p>PR-6 Installation Quality: The percent of lines/circuits/trunks installed in the calendar month where a reported trouble was found in the network within 30 days (and within 7 days for POTS services) of order completion.</p> <p>Within the Performance Measurement Business Rules, the glossary defines completion date as "The date noted on the service order as the date that all physical work is completed as ordered." Verizon's universe of orders extracted for monthly calculations is currently based on bill completion date, not work completion date as defined within the glossary within Attachment A-2a of the Performance Measurement Business Rules, creating a timing issue. The metrics are calculated correctly using the work completion date.</p>

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Management of Verizon Communications Inc. (“Verizon”, or “the Company”¹) is responsible for ensuring that Verizon complies with the conditions set forth in Appendix D (“the Merger Conditions”) of the Federal Communications Commission’s (“FCC’s”) Memorandum Opinion and Order in CC Docket No. 98-184 approving the Bell Atlantic/GTE Merger.² Management’s assertions that follow relate to compliance with Condition V (Carrier-to-Carrier Performance Plan, Including Performance Measurements), Condition XVI (Out-of-Territory Competitive Entry) and Condition XIX (Additional Service Quality Reporting) of the Merger Conditions.

Management has performed an evaluation of Verizon’s compliance with the requirements of these Merger Conditions for the year ended December 31, 2002 (the “Evaluation Period”). Based on this evaluation, we assert that, during the Evaluation Period, Verizon has complied with the requirements of these Merger Conditions in all material respects. Management describes in this report and in Attachment A and B, exceptions to compliance with these requirements. In addition, Verizon provides the following information regarding compliance with these Merger Conditions, based on the information available at the time.

V. Carrier-to-Carrier Performance Plan (Including Performance Measurements)

The Company complied with the requirements of this Condition in the following manner except as described in Attachment A. In particular, the Company carried out the following activities:

- a. On February 25, 2002, March 25, 2002, April 25, 2002, May 28, 2002, June 25, 2002, July 25, 2002, August 23, 2002, September 25, 2002, October 25, 2002, November 25, 2002, December 24, 2002, and January 27, 2003, the Company provided the FCC with the required monthly performance reports for each of the required states in the 17 measurement categories identified in

¹ The word “Company” or “Companies” used throughout this assertion refers to the Verizon telephone companies operating as incumbent local exchange carriers (“ILECs”), collectively as follows: Contel of Minnesota, Inc. d/b/a Verizon Minnesota, Contel of the South, Inc. d/b/a Verizon Mid-States, GTE Alaska Incorporated d/b/a Verizon Alaska, GTE Arkansas Incorporated d/b/a Verizon Arkansas, GTE Midwest Incorporated d/b/a Verizon Midwest, GTE Southwest Incorporated d/b/a Verizon Southwest, The Micronesian Telecommunications Corporation, Verizon California Inc., Verizon Delaware Inc., Verizon Florida Inc., Verizon Hawaii Inc., Verizon Maryland Inc., Verizon New England Inc., Verizon New Jersey Inc., Verizon New York Inc., Verizon North Inc., Verizon Northwest Inc., Verizon Pennsylvania Inc., Verizon South Inc., Verizon Virginia Inc., Verizon Washington, DC Inc., Verizon West Coast Inc., Verizon West Virginia Inc., provided that, with regard to the Micronesian Telecommunications Corporation, these assertions only apply to Merger Conditions IV, XIV, XVII, XVIII, XXI, XXII, XXIII, XXIV, and XXV (see Merger Conditions, n.3). On June 30, 2002, July 31, 2002 and August 31, 2002, the Companies completed the sale of wire line properties in Alabama, Kentucky and Missouri, respectively, and the Merger Conditions ceased to apply in those states.

² *Application of GTE Corp. and Bell Atlantic Corp. for Consent to Transfer Control of Domestic and International Sections 214 and 310 Authorizations and Application to Transfer Control of a Submarine Cable Landing License*, CC Docket No. 98-184, Memorandum Opinion and Order, FCC 00-221 (rel. June 16, 2000).

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Attachments A-1a and A-1b of the Merger Conditions, for the prior month. Verizon also provided these reports via web posting by the 25th of each month. Such performance measurement data contained in these performance reports are complete and accurate based on the information available at the time, except as described in Attachment A.

- b. On June 14, 2002 and November 25, 2002, Verizon provided notice to the FCC that the New York Public Service Commission adopted certain changes to the New York Carrier-to-Carrier Guidelines. There were no changes to the California plan during 2002. The Company proposed an implementation schedule of Verizon recommended changes as required by the Consent Decree (FCC 02-119) released April 23, 2002.
- c. The Company made voluntary performance payments for 2002 results in accordance with Attachments A, A-3, A-4, A-5a, A-5b, A-6, A-7a and A-7b of the Merger Conditions on March 25, 2002, April 25, 2002, May 24, 2002, June 25, 2002, July 25, 2002, August 23, 2002, September 25, 2002, October 25, 2002, November 25, 2002, December 24, 2002, January 24, 2003, and February 25, 2003.

Notices were provided to the FCC within five business days after such payments were made.

Merger Condition 5 prescribes a three-step calculation process for payments related to performance measurements expressed as averages or means. As described in letters dated September 20, 2002 and October 3, 2002 from Joseph DiBella, Verizon Regulatory Counsel, to the FCC, Verizon is currently using a 100% cap in step two of this calculation process (the "100% Cap") so that the payment resulting from that measure does not exceed the total number of occurrences times the per-occurrence dollar value specified in the Merger Conditions. In a Memorandum Opinion and Order released May 20, 2003, the FCC concluded that the Merger Conditions do not permit Verizon to apply an additional cap midway through the calculation process for performance measures using averages or means. Verizon has not adjusted performance payments for the effect of this order on the 100% cap. However, Verizon estimated that its methodology affected voluntary payments made during the evaluation period by less than 1.5% in comparison to the methodology described by the FCC in its May 20, 2003 order. The Company has not determined the impact on the voluntary payments, if any, of known errors that are corrected on a prospective basis only or occurred outside of the six-month restatement period.

- d. Before the beginning of 2002, the Company was authorized to provide in-region interLATA service in New York, Massachusetts, Connecticut, and Pennsylvania, and in accordance with paragraph 17 of the Merger Conditions did not report merger performance measurements for those states during 2002.
- e. On January 8, 2002, the Wireline Competition Bureau found that the Ohio and Illinois state performance plans were comprehensive and qualified for removal from the merger plan. Verizon did not report merger performance measurements for those states during 2002.

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- f. On the dates listed below, the FCC issued orders authorizing the Company to provide in-region interLATA service, and in accordance with paragraph 17 of the Merger Conditions, the Company discontinued reporting merger performance measurements for the identified states.

State	Order Date
Rhode Island	2/22/02
Vermont	4/17/02
Maine	6/19/02
New Jersey	6/24/02
New Hampshire	9/25/02
Delaware	9/25/02
Virginia	10/30/02

- g. On January 10, 2002, Verizon requested that the Chief of the Common Carrier Bureau approve a temporary suspension of the performance data and other quality data reporting for the former GTE service areas in Pennsylvania and Virginia during the three-month transition periods during which Verizon would implement OSS uniformity as required under Merger Condition VI. This request was approved by the Commission on April 11, 2002, and Verizon suspended the reporting of former GTE Virginia performance data required under Condition V of the merger order for the three-month period of March to May 2002, and made payments consistent with the approval granted.
- h. On April 10, 2002, the FCC granted the Company's request to withdraw its application to sell certain local exchange properties in California, and these properties became subject to the Merger Order. Verizon began reporting merger performance measurements for these exchanges effective with the May 2002 data month.
- i. On April 12, 2002, the FCC granted the Company's request to withdraw its application to sell certain local exchange properties in Arizona, and these properties became subject to the Merger Order. Verizon began reporting merger performance measurements for Arizona effective with the May 2002 data month.
- j. On December 23, 2002, the Wireline Competition Bureau found that the Nevada state performance plan was comprehensive and qualified for removal from the merger plan. Verizon thereupon ceased reporting merger performance measurements for Nevada.

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- k. On August 16, 2002, Verizon and the Enforcement Bureau entered into a consent decree terminating an informal Bureau investigation into Verizon's compliance with the Merger Conditions. Verizon committed to establish a formal metrics compliance program, to include a Vice Presidential steering committee, implementation of an error tracking and prevention process, refresher training of data providers, and annual communication of data retention requirements. In addition, Verizon committed to establish a data warehouse to store and retain data used in the calculation of Merger Condition V reports. Verizon committed to report to the Chief – Enforcement Bureau on the status of these remedial actions due during 2002. On December 23, 2002, Verizon provided the required report. The remedial actions have been implemented as agreed.

XVI. Out-of-Territory Competitive Entry

Verizon complied with the requirements of this Condition in the following manner:

- 1) During the 24-month period ending June 30, 2002, Verizon spent at least \$300 million in qualified expenditures in Out-of-Region markets. At least 20% of these expenditures were used to provide Competitive Local Service to residential customers or to provide Advanced Services and at least \$150 million has been used for facilities expenditures.

XIX. Additional Service Quality Reporting

The Company complied with the requirements of this Condition in the following manner except as described in Attachment B:

- a. The Company provided, through an internet website, the four quarterly NARUC retail service quality reports relating to calendar year 2002 on May 13, 2002, August 14, 2002, November 14, 2002, and February 14, 2003. Upon agreement between the Company and the FCC staff, Ernst & Young LLP was requested to perform procedures and report on the completeness and accuracy of eight NARUC White Paper service quality measures, as listed below, included on the quarterly NARUC Service Quality Reports:
 1. Line 120, Number of Orders for Basic Service Delayed over 30 Days;
 2. Line 135, Number of Installation Orders with Missed Installation Commitments;
 3. Line 230, Number of Out-of-Service Repeat Trouble Reports;
 4. Line 300, Switch/Line Concentrator Outages exceeding 2 minutes;

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5. Line 350, Interoffice Transmission Facility Service Affecting Outages: T3 Outages over 6 hours;
6. Line 360, Interoffice Transmission Facility Service Affecting Outages: Outages over 10 minutes over 500 T1 message trunks;
7. Line 370, Interoffice Transmission Facility Service Affecting Outages: Outages over 2 minutes totally isolating a central office or community; and
8. Line 510, Average Waiting Time Total for Call Live-Answered by Attendants.

The eight NARUC retail service quality measures were based on information contained in the operating support systems used by the Company for installation, maintenance and repair. This data was calculated in accordance with the definitions in the NARUC Service Quality White Paper and the application of these definitions and the Company's calculation of these data are complete and accurate except as described in Attachment B.

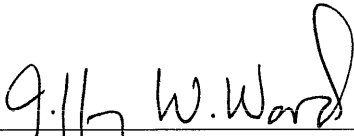
- b. The Company provided, through an internet website or directly to the relevant state commission, quarterly local service quality data relating to calendar year 2002 from Table 1, ARMIS Report 43-05, carriers. These reports were provided on May 13, 2002, August 14, 2002, November 14, 2002, and February 14, 2003.
- c. The Company reported to the Commission, to Mitchell & Titus, LLP, the independent auditor engaged to perform the Genuity Merger Compliance Engagement, and to Ernst & Young LLP, the independent auditor engaged to perform Merger Condition XIX of the Merger Compliance Engagement, service quality data described in paragraph 53 of the Merger Conditions, showing the service level provided to Genuity compared to other companies for Special Access and High Capacity services (Genuity Reports). Reports were issued monthly throughout 2002, reflecting the business rules approved by the Common Carrier Bureau on September 19, 2000, February 11, 2002, and April 3, 2002³. Such service quality data is complete and accurate except as described in Attachment B.
- d. In a letter dated May 28, 2003, Maureen Del Duca, Chief – Investigations and Hearings Division of the Enforcement Bureau, provided a response to Ernst & Young's request for FCC staff interpretation on issues related to Merger Condition XIX. This letter was received after the audit period closed and accordingly, Verizon reported during the audit period in a manner consistent with its view of the rules. The instances of inconsistency between Verizon's interpretation of the rules and that provided in the Maureen Del Duca letter dated May 28, 2003, are described in Attachment B of this report.

³ On March 26, 2003 the FCC issued an order determining that the requirements of paragraph 53 of the Merger Conditions had expired by their own terms on July 24, 2002.

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- e. On August 16, 2002, Verizon and the Enforcement Bureau entered into a consent decree terminating an informal Bureau investigation into Verizon's compliance with the Merger Conditions. In the compliance plan included in the consent decree, Verizon agreed to establish a formal metrics compliance program, to include a Vice Presidential steering committee, implementation of an error tracking and prevention process, refresher training of data providers and annual communication of data retention requirements. Verizon committed to report to the Chief – Enforcement Bureau on the status of these remedial actions due during 2002. On December 23, 2002, Verizon provided the required report. The remedial actions have been implemented as agreed.

Verizon Communications Inc.



Jeffrey W. Ward,
Senior Vice President- Regulatory Compliance
Dated: May 30, 2003

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Attachment A – Exceptions to Compliance – Condition V

The exceptions listed in Sections I and II affected fewer than 5% of the total reported metrics during the evaluation period.

I. Following is a listing of the exceptions to the Company's compliance with Condition V, *Carrier-to-Carrier Performance Plan* for the year ended December 31, 2002.

No.	PMs/Products Affected	Months ¹ /States ²	Description
1	PO-1-04 PO-1-05	November – CA, FL, IN, MI, NC, PA, SC, TX August – September CA, WA, HI August, September, December – OR August, November FL August – ID September – NV	In August, the Company began pulling retail pre-order transactions from the Converged Order Fulfillment Entry Engine (COFEE) source system only, rather than from both the COFEE and the National Order Collection Vehicle (NOCV) source systems. However, not all pre-order transactions were being processed by COFEE. As a result, some transactions were being excluded from the Company's calculation and reporting of pre-order performance measurements.
2	PO-1-06	January – November CA, FL, ID, IN, MI, MO, NC, NV, OR, PA, SC, TX, WA, WI January – June – KY January – February – VA April – AL May – HI	The sequencing times used by the applications that capture the query receipt and query response times were inconsistent, resulting in inaccurate calculations of average response times. Process was corrected with the December 2002 data month.
3	OR-5-01 OR-5-03 UNE	January – August All fGTE states	Local Number Portability (LNP) order volume was incorrectly reported as Resale instead of Unbundled Network Element (UNE). Process was corrected with the September 2002 data month.
4	PR-3-08 Resale POTS	January – August All fBA states except NJ	Orders with less than the standard interval were excluded in error. Only those with greater than the standard interval should have been excluded from the metrics. Process was corrected with the September 2002 data month.
5	PR-6-01 All products except Resale 2-Wire xDSL, Retail Resale 2-Wire xDSL, Retail	January – June DC, MD, VA, WV March – MD	The source system extract program caused the inward line count associated with the Digital Services Network Assignment Field Identifier to be overstated. Process was corrected with the July 2002 data month.

¹ The months shown in the table reflect the period(s) in which the error occurred.

² See chart on page 7.

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No.	PMs/Products Affected	Months/States	Description
6	PR-3-08 Retail POTS	January – February All fGTE states except ID, NV	Some Retail orders indicated incorrectly that a customer had requested a due date greater than the due date offered. Process was corrected with the March 2002 data month.
	PR-3-09 Retail POTS	January – February All fGTE states except HI, ID, NV	
7	PR-3-08 UNE Loop Non-Designed, Retail	January – February CA, FL, IN, TX, WA	Process did not include all CLEC orders where service was reserved in advance and exclude all orders where the customer requested due date was beyond what was offered. Process was corrected with the March 2002 data month.
	PR-3-08 Retail Business POTS Dispatched	January – February fGTE PA	
	PR-3-09 UNE Loop Non-Designed, Resale POTS, Retail	January – February All fGTE states except ID, NV	
8	MR-2-01 Resale Specials, Retail	January – March ME, NH, RI, VT	Official circuits were included in the denominator and Flexpath circuits were counted as 24 DS0 circuits in the denominator, rather than as one circuit. Process was corrected with the April 2002 data month.
	PR-6-01 Retail Specials	January – February RI, VT	
9	MR-2-01 Resale Specials, Retail	January – November All fGTE states except NV	Some Specials products such as linesharing and linesplitting were incorrectly included in the denominator. Process was corrected with the December 2002 data month.

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II. The items noted below were identified in the same manner as above; however, these exceptions are cases of low volumes or isolated instances by month, jurisdiction or product for a particular performance measurement(s) that may or may not be aberrational.

No.	PMs/Products Affected	Months/States	Description
10	PO-1-04 CLEC Aggregate	January – December All fGTE states	Some Service and Feature Availability requests were not included in the PO-1-04 metric.
11	PO-2-02 All WISE Interfaces	June All fGTE states	Some outages were incorrectly excluded from the metric. Process was corrected with the September 2002 data month.
12	OR-1-04 UNE Specials OR-1-06 UNE Specials	January All fBA states January ME, NH, NJ, RI	UNE Special orders with less than 10 lines were incorrectly included in OR-1-04 when they should have been included in OR-1-06. Process was corrected with the February 2002 data month.
13	OR-1-04 OR-1-06 UNE Specials	February - June MD, DC, VA	UNE PBX trunks were not properly classified as a UNE POTS product. Process was corrected with the July 2002 data month.
14	OR-1-04 UNE Specials OR-2-04 UNE Specials	January – March DC, ME, NH January – March ME, NH, WV	Line sharing Local Service Requests (LSR) requiring loop qualification should have been reported under 2-Wire xDSL rather than Specials. Process was corrected with the April 2002 data month.
15	OR-1-04 OR-2-04 UNE Specials OR-1-12 CLEC Trunks OR-2-12 CLEC Trunks	January All fBA states January NH January RI, VA	Disconnect orders received on an Access Service Request were not included in the OR metrics. Process was corrected with the March 2002 data month.
16	OR-2-04 UNE Specials OR-2-06 UNE Specials	January - February MD, NH, VA January - February DC, MD, NJ, RI, VA, WV	Metrics included duplicate rejects. Rejects issued against a unique Purchase Order Number (PON), identical and subsequent to the first reject should have been excluded. Process was corrected with March 2002 data month.

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No.	PMs/Products Affected	Months/States	Description
17	OR-2-12 CLEC Trunks	January - NH, NJ, RI, VA February - NJ, VT March - ME, NH, VT April - NJ, VT, May - NH, NJ, VA June - DC July - DC, MD, NH, VA, WV August - DC, DE, MD, VA, WV September - DC, DE, MD, NH, VA	Rejected trunks were measured when an order was completed or cancelled; therefore, pending trunk orders were not included in the calculation of the performance measurement. Process was corrected with the October 2002 data month.
18	OR-2-12 CLEC Trunks	January - NH, RI February - VT March - ME, NH, VT April - VT May - NH June - DC	Orders designated as projects were excluded from the <=192 forecasted trunks category. Process was corrected with the July 2002 data month.
19	OR-2-12 CLEC Trunks	January -- NH, RI, VA February - VT March - ME, NH, VT April - VT May - NH, VA June - DC July - DC, NH, VA, WV August - DC, VA, WV	The calculation excluded all subsequent rejects when it should have included all rejects where the PON was not unique. Process was corrected with the September 2002 data month.
20	OR-2-12 CLEC Trunks MR-4-07 MR-5-01 CLEC Trunks	January - May - NJ, VA, WV June - DC, NJ, VA, WV January - June - NJ January - June - VA	CLEC 2-Way Trunks were not being identified as CLEC trunks. Process was corrected with the July 2002 data month.
21	OR-2-02 Resale POTS UNE Loop Non-Designed UNE 2-Wire xDSL Loop	November - December HI, WI November - December HI, SC November - December MI	Some LSRs, stamped with a batch receipt date and time rather than the actual receipt date and time, were either included or excluded incorrectly from the metric. Process was corrected beginning February 14, 2003.
22	PR-4-01 Retail DS0 Retail DS1	March - June All fBA states	Some DS0 channels were incorrectly counted as DS1 within the metrics. Process was corrected with the July 2002 data month.

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No.	PMs/Products Affected	Months/States	Description
23	PR-4-02 Retail POTS	January – December MD	Non-designed Foreign Exchange orders were not included in the POTS count. Process was corrected with the January 2003 data month.
24	PR-4-07 UNE LNP	January – August DE, MD	Some orders were incorrectly excluded from this metric. Process was corrected with the September 2002 data month.
25	PR-4-07 UNE LNP	May All f/BA states	Performance measurement results were incorrectly reported as NA. Process was corrected with the June 2002 data month.
26	PR-4-01 CLEC Trunks PR-4-02 CLEC Trunks	January – November IN, OR, PA, SC January – November - CA January, May - July, September - OR March – June, August – November – PA May – November - IN	Some trunks other than Interconnection Trunks were incorrectly included in the CLEC numerator. Process was corrected with the December 2002 data month.
27	MR-3-01 UNE-Platform UNE-Platform - Residence	January – March All f/BA states April – June MD, NJ, NH, VA April, June - DE, WV April – DC, VT	Some line records and troubles were either excluded or improperly classified when a valid wire center or a valid CLEC ID was absent on a line record or a trouble. Process was corrected with the July 2002 data month.
28	MR-3-01 MR-4-08 MR-5-01 UNE – POTS	January - DC, WV January - DC, MD, WV January - MD	Trouble reports containing a 5-digit service code were not included in the metric. Process was corrected with the February 2002 data month.
29	MR-4-03 Resale POTS/Complex	January- March NJ	Official company service circuits were included in the POTS and 2-Wire Digital metrics in error. Process was corrected with July 2002 data month.
30	MR-5-01 UNE Specials	January – June All f/BA states except NJ	A trouble with a disposition code of 03, 04, 05, was not scored as a repeated trouble against an initial Customer Premise Equipment report. Process was corrected with the July 2002 data month.

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No.	PMs/Products Affected	Months/States	Description
31	MR-2-01 MR-4-01 MR-4-08 MR-5-01 PR-6-01 Retail Specials	June - September fGTE VA	Some special service line counts and troubles were excluded from the fGTE VA and included in the fBA VA metric. Process was corrected with the October 2002 data month.
32	MR-3-01 MR-4-01 Resale Specials	January FL	The Verizon affiliate data for One Point Communications dba Verizon Avenue were incorrectly included in the CLEC Aggregate reports. Process was corrected with the February 2002 data month.
33	MR-4-01 Retail Specials	January - December CA	Manual entry errors caused some trouble reports for non-designed services to be included in the ILEC reported results for special services. Investigation is underway to determine what corrective action, if any, is appropriate.
34	MR-5-01 All Products	January – June CA, FL, IN, KY, MI, NC, OR, PA, SC, TX, VA, WA	Separate trouble reports for different segments of the same circuit received on the same day were counted as repeat troubles in the metric calculation. Process was corrected with the July 2002 data month.
	Resale POTS	January – June – AL, MO February – HI	
	UNE Loop Designed	April, June – ID	
	UNE 2-Wire xDSL	January, March – ID March – MO June – AL, MO	
	LNP	June – AL	
	UNE Loop Non-Designed	January - June - HI	
	Interconnection Trunks	February, March, June HI April – AL	

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The chart below indicates states and months where reports were required for the *f*BA and *f*GTE regions. Unless otherwise noted, exceptions will include all states reported for that month.

<i>f</i> BA	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
RI												
VT												
ME												
NJ												
NH												
DE												
VA												
DC												
MD												
WV												

<i>f</i> GTE	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
AL							SOLD					
AZ	Planned Sale											
CA												
FL												
HI												
ID												
IN												
KY								SOLD				
MI												
MO									SOLD			
NC												
NV												
OR												
PA												
SC												
TX												
VA			Temporary Suspension ³									
WA												
WI												

³ FCC Order released April 11, 2002 granted Verizon's request for temporary suspension of reporting requirements during conversion of *f*GTE systems to *f*BA systems.

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Attachment B – Exceptions to Compliance – Condition XIX

Following is a listing of the exceptions to the Company's compliance with Condition XIX service quality business rules for the year ended December 31, 2002.

#	Report Affected	Months / States Affected	Description
1	Genuity Report - Installation Intervals – High Speed and All Special Access	January-July All fBA States ¹	The installation interval data for the companies included in the fBA region reports was calculated incorrectly due to a programming error in the calculation of summary level monthly data by company. The appropriate data for January through September 2002 was refiled in January 2003.
2	NARUC Line 120	January–December All fGTE States ²	The Company calculated the number of orders delayed over 30 days for all of the states in the fGTE region based on business days instead of calendar days, as specified in the NARUC White Paper. The appropriate data for January through December was refiled in May 2003.
3	NARUC Report	July-December Virginia	The NARUC reports for Virginia for July through December did not contain any fGTE data. The data was inadvertently excluded due to a programming error after the consolidation of Virginia fBA and fGTE systems. The appropriate data for July through December was refiled in May 2003.
4	NARUC Line 300 NARUC Line 350 NARUC Line 360 NARUC Line 370	Various	Some network performance or switch outages were incorrectly included or excluded from the reported data due to manual errors. In addition some network performance outages were reported with inaccurate outage duration or event times. The appropriate data for January through December was refiled in May 2003.
5	NARUC Report ARMIS Report	April through June 2 nd Quarter Report Micronesia	The NARUC and ARMIS reports filed for Micronesia Telecommunications Corporation (“Micronesia”) did not contain any data. The data was not reported due to the pending sale of Micronesia. Following the decision not to sell Micronesia, the proper NARUC and ARMIS reports were refiled in December 2002.

¹ fBA States include: CT, DC, DE, MA, MD, ME, NH, NJ, NY, PA, RI, VA, VT, WV

² fGTE States include: AZ, CA, FL, HI, ID, IL, IN, MC, MI, NC, NV, OH, OR, PA, SC, TX, VA, WA, WI for the period January through December 2002. AL is only included for the period January through June 2002, KY is only included for the period January through July 2002, and MO is only included for the period January through August 2002 as these properties were sold.

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#	Report Affected	Months / States Affected	Description
6	NARUC Line 510	CA- April, June NC-January thru April, June FL – March, June	For the states and months listed the Company omitted certain types of calls in its calculation of the average answer time as reported on Line 510. The corrected measures were subsequently refiled in February 2003.
7	NARUC Line 120 NARUC Line 135 NARUC Line 230	July- September California	The Company inadvertently included the NonMSA data in the MSA results column for the installation and maintenance metrics. The appropriate data for July through September was refiled in February 2003.
8	NARUC Line 135	All fGTE and fBA states January – December	The Company omitted missed installation commitments for canceled orders. The company should have reported all missed installation commitments for both completed and canceled orders.
9	NARUC Line 230	All fGTE and fBA states January – December	The Company omitted trouble reports based on certain category and disposition codes. The company should have included all trouble tickets, without exception, for reporting purposes.
10	NARUC Line 510	For Business Office calls, all fGTE States except for CA, FL, and NC. For Repair Office calls, all fGTE States except for NC. January – December	The Company reported Line 510 based upon existing state regulatory reporting, which in some cases allowed for Voice Response Unit (VRU) calls to be included with a default value of one or two seconds. The Company should not have included the VRU calls with the associated default times.
11	Genuity Report	Please see Page 3 for the states and months affected by this observation.	The Company did not provide service quality data for other companies in months and states where there was no Genuity activity. The company should have reported all monthly results for both Genuity and other carriers, whether or not there was Genuity activity for both sets of entities in a given month.

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The following chart depicts where the Company did not provide service quality data for other companies in months and states where there was no Genuity activity.

<i>f</i> BA	Jan	Feb	Mar	Apr	May	Jun	Jul
Connecticut	x	x	x	x	x	x	x
District of Columbia					x		
Delaware	x	x	x	x	x	x	x
Massachusetts					x		x
Maryland		x	x	x	x		
Maine	x	x	x	x	x	x	x
New Hampshire	x	x	x	x	x	x	x
New Jersey				x		x	
New York				x			
Pennsylvania							
Rhode Island	x	x	x	x	x	x	x
Virginia	x	x	x	x	x	x	x
Vermont	x	x	x	x	x	x	x
West Virginia	x	x	x	x	x	x	x

<i>f</i> GTE	Jan	Feb	Mar	Apr	May	Jun	Jul
Alabama	x	x	x	x		x	SOLD
Arizona	x	x	x	x	x	x	x
California			x				
Florida	x						x
Hawaii	x	x	x		x		x
Idaho	x	x	x	x		x	x
Illinois	x			x	x	x	x
Indiana						x	
Kentucky		x	x	x	x		x
Michigan	x		x	x	x	x	x
Missouri	x	x	x	x		x	x
North Carolina		x	x			x	x
Nevada	x	x	x	x	x	x	x
Ohio	x	x	x	x	x	x	x
Oregon	x	x	x		x	x	x
Pennsylvania	x			x		x	
South Carolina	x	x	x	x	x	x	x
Texas		x		x			x
Virginia	x	x			x	x	x
Washington	x		x	x			
Wisconsin	x	x	x	x	x	x	x